GUIDES FOR THE
NEW HOUSING EXPORTER

GROWING OVERSEAS THROUGH STRATEGIC ALLIANCES AND SUBSIDIARIES

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Guide to Icons

The Tips and Warning icons are intended to draw your attention to special information.

Tip

Warning

Additional Sources of Support

This guide is intended as an introduction to overseas strategic alliances and subsidiaries. It focuses on the major issues and does not go into details. For that, we have identified additional sources of information and support.

To help you find the source best suited to your immediate needs, each source has been coded to indicate what it does. Please note that some sources of support require that you be a subscriber, and others are available only to residents of that Province or Territory. If a source does more than one thing, it has been coded accordingly.

This source will provide you with *printed* or *verbal* information.

This source will help you *find, understand,* or take an *action.*

If you qualify, this source may provide you with *financial* assistance.

This source can provide you with training in the form of *seminars* or *courses.*

This icon indicates a source of support with special emphasis on the housing industry.

Please note: the sources of assistance included in this publication reflect the situation at the time it was written. Some sources may no longer be available, others may have changed the services they offer, many more may be available on the Internet.

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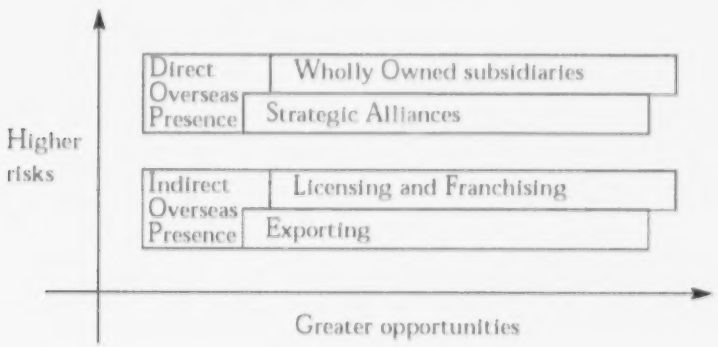
1. Doing Business Abroad

There are four basic steps to doing business abroad:

- Direct Exporting;
- Licensing and Franchising;
- Strategic Alliances, and
- Wholly Owned Subsidiaries.

The first two give the company an indirect overseas presence, the last two provide a direct, overseas presence. Each step requires increasingly higher levels of commitment, investment and risk than the previous one. Each step may, however, also offer a higher profit potential.

The four basic steps



Exporting

Exporting, which was the focus of the guide "Getting Ready to Export", is the simplest way of achieving an overseas presence. Direct exporting involves an effort on the part of the prospective exporter to identify potential clients, agents or distributors in a specific foreign target market. Direct exporting is not to be confused with selling locally to a client or agent who takes the merchandise to a foreign market. Because it does not require a permanent presence in the export market, direct exporting involves less commitment, investment and risk than the next steps. Direct exporting is generally viewed as the best way to begin doing business abroad.

Licensing and Franchising

The second step in doing business abroad involves setting up a permanent, but still indirect presence overseas through licensing and franchising.

Licensing generally involves granting to someone the right to produce, use and/or sell, in a specific geographical market, a product, service or technology that you have developed. As a rule, the licensee is also entitled to use your brand name.

Franchising involves granting the use of a complete business concept. The franchisor gives the franchisee the right to operate in a specified territory a carbon copy of the franchisor's successful business, under the same name and procedures. In addition, the franchisor provides the franchisee with a continuous stream of advice, products and services vital to the success and profitability of the franchise.

Although it requires more investment, more time and more commitment than direct exporting, a permanent overseas presence through licensees and franchisees may allow a company with the right product, service, technology or business concept to expand internationally fairly rapidly, with a relatively low commitment of resources and personnel.

From Strategic Alliances to Subsidiaries

Some businesses do not lend themselves to licensing or franchising. For these, overseas expansion generally involves establishing a direct, permanent presence in the market. The focus of this guide involves creating such a presence.

A door manufacturer and a windows manufacturer may decide that it is in their best interest to join forces in distributing their product lines in some foreign market. They may do so without creating a new company, just by agreeing – in what is called a cooperation agreement – that each will also sell the other's product line. This way, each can concentrate their efforts in the markets they are strongest and avoid costly duplications in marketing effort.

If the business they are contemplating is a specific development project, both companies could instead agree to form a consortium aimed at that particular project.

Alternatively, they could use the partnership or the joint venture route by creating a company which will produce and/or sell parts of both product lines in selected overseas markets.

All of the above forms of cooperation, plus a few more such as licensing and franchising, are known collectively as "strategic alliances."

All strategic alliances are based on an agreement between the participants to:

- join forces,
- share risks,
- share benefits, and
- share decisions

There are cases where the strength of the company, the product being offered, or the foreign market opportunity, justify the creation of a wholly owned subsidiary. With your own subsidiary you do not have to share decisions or benefits, you go it alone and assume all the risks.

Wholly owned subsidiaries have the highest level of potential profitability, at the same time, they require the highest level of investment and commitment on the part of the investor. As such, they are generally ranked as the riskiest.

2. Not all Alliances are the Same

If you had all the required facilities and equipment, technical knowledge, intellectual property, market knowledge, human resources, capital to invest, and cash-flow to wait, and if all legal, commercial, and financial risks had been eliminated, you would not need to form alliances to enter foreign markets.

If you lack any one or more of the above, and especially if you fear the risks, but still want to expand overseas, you may have no other option than to enter into some form of strategic alliance.

In a strategic alliance, two or more individuals or companies get together and share resources, risks, benefits and decision making in order to facilitate their overseas expansion.

Sharing resources

The main reason individuals and companies enter into strategic alliances is because they need to join forces and share resources. Companies join forces from the very beginning of the research process, all the way to after-sales servicing. Companies may share knowledge, facilities, equipment and even human resources.

Companies regularly join forces to develop common product standards, to develop new products and to go through the certification process. Joining forces and sharing resources with a supplier, a client, or even a competitor, can be especially interesting when entering a new foreign market where products need to be locally certified.

A manufacturer of building supplies and a builder may decide to join forces to study a foreign market together. They may even share resources, including staff, to bid and manage specific projects.

Franchising is one way in which a Canadian company with insufficient resources may join forces with overseas entrepreneurs to develop the local market.

Companies who are complementary, or even competitors in Canada, may decide to share overseas offices and warehousing space.

Sharing risks

If accessing additional resources was the only concern, a company could purchase the knowledge, lease the facilities and the equipment, hire additional staff, or even subcontract the work. In reality, companies need not only the extra resources, but they also need to share the additional risks.

All types of risks can be shared: commercial, financial, liability, etc. Some risks, such as theft, damage or non-payment can be offloaded, or at least shared with an insurer. Business risks are generally shared with partners. In this case, the partners can be other consortium participants, other joint ventures, etc.

Sharing risks may be as simple as sharing the cost of putting together a bid for an overseas project, or an overseas marketing effort. Sharing the risks may also mean sharing the capital investment in a joint venture or partnership

Sharing benefits

Benefits can be shared in many ways. In a simple cooperation agreement, participants continue to be completely independent. In a licensing or franchising agreement, the licensor or the franchisor share in the benefits of the licensee or franchisee through fees and royalties. In a consortium, each party makes a profit on the products and services it sells to the client through the consortium. In a join venture and in a partnership, the partners share in the profits, as well as in the appreciation of the value of the company.

Sharing decision-making

Each type of strategic alliance involves a different type of decision-making sharing arrangement. In a cooperation agreement, both parties agree to work jointly according to a set of mutually agreed rules. They also agree that, if decisions are required in the future, they will have to come to a new agreement. Failing that, the whole strategic cooperation agreement collapses.

In a consortium, decision-making rules will likely be laid out in writing in the consortium agreement. Quite often, the consortium agreement may call for unanimity in decision making.

Joint ventures and partnerships also involve decision power sharing. Depending on the situation, you may find yourself as a minority partner in a joint venture or partnership, and have little decision power.

Which is the best for you?

The scope of the project and the mix of resources, risk, decision-making and benefits, determines the type of strategic alliance. In the next section, we will review the major types of strategic alliances, from simple cooperation agreements to full subsidiaries and try to determine each one's advantages and limitations.

In the next chapter, we will use this information to help you determine which type of option would be best for you, at this point in time, and whether you are ready to pursue it.

Types of Alliances

Strategic alliances can vary from simple strategic cooperation agreements to full partnerships leading to wholly owned subsidiaries. In this section, we review each major type of alliance in order to determine which you might focus on, in a given situation.

Strategic cooperation agreements

Some alliances involve no more than a simple verbal agreement of cooperation between two or more individuals or companies. Strategic cooperation agreements can take a wide variety of forms and there are no real limits to how two or more individuals or companies, who want to expand overseas, can cooperate without breaking the rules on restraint of trade.

Most strategic cooperation agreements remain informal. They continue so as long as it suits the parties, and can be dissolved at a moment's notice. Typical cooperation agreements include cooperation on studying a foreign market, procuring information and perhaps covering translation costs. It often involves a joint business trip where two inexperienced exporters decide to travel together.

The essence of strategic cooperation agreements is that companies remain completely separate. There is no real sharing of resources, decisions, risks or benefits. Participants may cooperate at a given point in time, and compete in the next.

Licensing and Franchising

Contrary to the other forms of strategic alliances which are open to all, licensing and franchising are two special types of strategic alliances which are only available to those who own some type of intellectual property – be it a patent, trademark, copyright, industrial design or trade secret.

Because licensing and franchising are complex forms of strategic alliances, very different from the others, there is a special guide in this series titled "Expanding Overseas through Licensing and Franchising", which treats the subject in detail.

Cross-licensing

Cross-licensing is a particular form of strategic cooperation agreement. In a cross-licensing arrangement, two companies agree to exchange some type of intellectual property (if you are not familiar with intellectual property, see page 42 in this guide). For example, two companies can exchange licenses of patents. Companies could also cross-license each other's know-how. It is also possible for one company to license a patent in exchange for a license to use the other's trademark. In practice, there is no limit to the way intellectual properties can be combined in a cross-license agreement. What makes cross-licensing a form of strategic cooperation agreement is that in many cases, no money changes hand.

Cross-licensing is often seen as part of a larger package where two or more companies entering into a strategic alliance also agree to cross-license the very same patents, trademarks, designs and copyrights that are going into the alliance. The reason is simple: if you are entering into an alliance in which several partners are contributing some form of intellectual property, the best way to protect each other's assets is to have all the partners sign cross-licensing agreements covering all the items involved. For example, if you are going to contribute know-how covered by a trade secret protection while your partner is contributing several patents, you want to avoid the trade secret leaking to the partner, while he may want to ensure that you will not benefit illegally from the patents. By cross-licensing, the issue is on the table and a fair solution can be found.

Consortia

In practice, the terms Consortium (plural: consortia), Joint Ventures and even Partnerships, are often used very loosely and almost interchangeably to indicate some form of strategic alliance. In fact, the differences are few, but significant.

A consortium is a special type of strategic alliance. Consortia are normally created by two or more companies going after a specific project. Consortia offer participants a direct overseas presence with a limited lifetime. In a consortium, each participant remains legally independent, there is an agreement to do business jointly, but no joint business. Consortia are a favored solution of large, as well as small and medium-sized building sector businesses who join forces for a specific project and disband after the project is completed.

For example, there is an opportunity to bid on a housing development project in a foreign country. The project is substantial and involves every step, from urban planning and architectural design, water, sewage, electricity and road infrastructure, to actually building a variety of single and multiple housing units. The solution is a consortium in which several Canadian, foreign and local companies bid and negotiate together. If they win the bid, each is committed to perform its work independently, within a pre-set budget and time frame. Once the project is concluded, the consortium is dissolved.

As the example above clearly shows, consortium participants join forces, but their contribution is mostly in terms of their own expertise and capabilities. The consortium itself is only a "flow-through" vehicle, and all the income generated within the consortium flows back directly to each of the participants in terms of payment for goods or services provided to the client through the consortium.

Since all revenues flow through to the participants, consortia do not have to deal with how to share profits, as the consortium itself has no profits.

Risk sharing, control and decision making issues are also minimized by the fact that each participant remains independent. As long as it is within the bounds of the rights and obligations established in the written consortium agreement, each participant remains completely free to make his own decisions and completely responsible for his own risks.

Since the failure of one of the consortium members may affect the whole project, it is customary for the members of a consortium to protect themselves by having each member subscribe to one or more performance bonds, each tied to a significant stage of the project.

One of the simplest ways to differentiate consortia from joint ventures is equity. Consortia are non-equity based alliances while joint ventures are equity based ones. A consortium does not have its own capital base, it relies on the capital of the participants. A joint venture is a corporation with its own capital supplied by the joint venture partners.

Joint ventures

A joint venture is a slightly more involved form of strategic alliance than a consortium. While consortia are only an extension of each participant, with no real independent legal existence, joint ventures are a separate legal entity set up to do business on a permanent basis.

As in the case of consortia, joint ventures are generally created by partners who complement each other by contributing something the other may lack, be it technology, specific market knowledge, a presence in the market, specialized equipment, people, capital, etc. There are, however, interesting differences.

For example, a company specializing in foundation work will join forces with others specialized in framing and finishing to form a full service consortium based on the sum of their strengths. In contrast, the same company would more likely join forces with a lumber supplier to form a joint venture, in order to attempt to develop the market for treated wood foundations. In this case, both companies are contributing resources to develop a new area of strength, rather than capitalizing on existing ones.

Joint ventures may involve the whole business or only parts of it. For example, a joint venture may focus exclusively on marketing and distribution, while production may be handled independently. Some typical small business/construction related joint ventures include:

- Product development for overseas markets
- Overseas product certification
- Overseas production and assembly

- Overseas marketing
- Overseas management
- Overseas on-site work
- Overseas after-sales services

Most small business joint ventures include all, or most of the above in a single joint venture, generally between the Canadian company and an overseas partner.

When developing a new market, there are many unknowns, the risks and the opportunities may be considerable, but there is a clear opportunity for capital gain if the company is successful. Joint ventures are the strategic alliance of choice of companies who want to pursue business opportunities in unfamiliar overseas markets.

Partnerships

Technically, a partnership is a special type of joint venture in which two or more partners join for the purpose of carrying on a business together, with a view to making a profit. The legal definition of a partnership is a situation where the partners conduct business themselves directly, and the partnership is not a legal entity separate from its partners. In a true partnership, even if one partner is entitled to a greater say and a greater share of the profits, all partner are liable for all the debts of the partnership.

The term partnership is, however, increasingly being used to mean a limited liability partnership, or even a corporation created by a few individuals or companies. In this case, the liability is restricted to the amount of capital subscribed by each partner.

Although partnerships leave the partners fully exposed to the risks, they are the norm for such professionals as architects and lawyers who, in many instances, are not allowed to incorporate their businesses. Given that banks and other lenders routinely require the principals of small companies to personally guarantee the company loans, leases and debts, there is in practice not that much of a difference between partnerships and limited liability companies.

Wholly owned subsidiaries

Ultimately, if one company decides to make all the contributions, assume all the risks and reap all the benefits, we are faced with a wholly owned subsidiary.

Wholly owned subsidiaries offer maximum freedom of action and flexibility of decision. In practice, subsidiaries are usually structured as independent profit centers, but they almost always have full access to all the mother company's resources. In a subsidiary, all benefits, capital appreciation and risks flow to the sole owner.

The wholly owned subsidiary is the overseas expansion option of choice for companies who do not need to join forces or share risks. It is also the option of last resort for those who cannot find anybody to join forces and share risks.

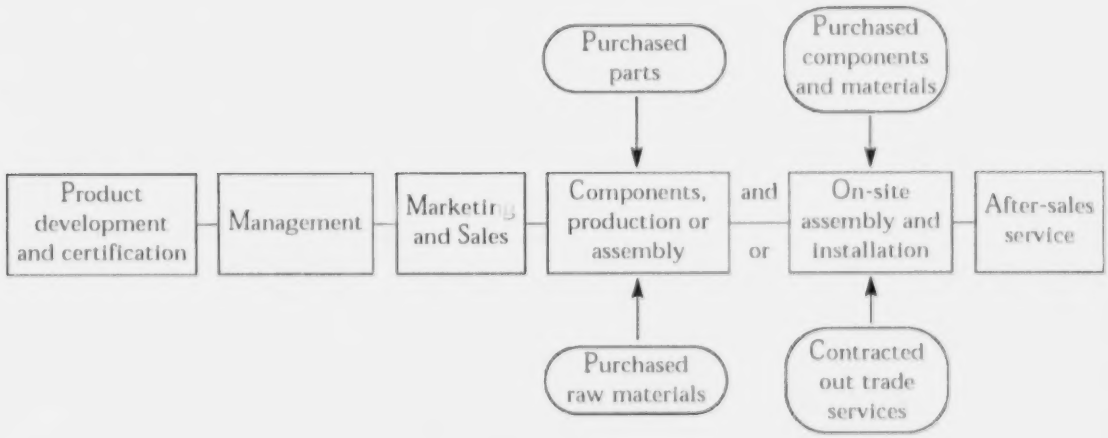
Reorganizing for Results

Expanding overseas means a lot more than just beginning to produce and sell in another country. It usually involves a different type of organization than the one in the home country.

Your company today

If you look at your company today, it probably looks like the company described in the figure below. Your company today presumably includes most of the major components commonly associated with a housing related business: product development, some certification, management, marketing and sales, some production or assembly (if you are in the pre-fab business) and mostly on-site assembly and installation, and after-sales service. Your company's major purchases are parts, raw materials, components and trade services.

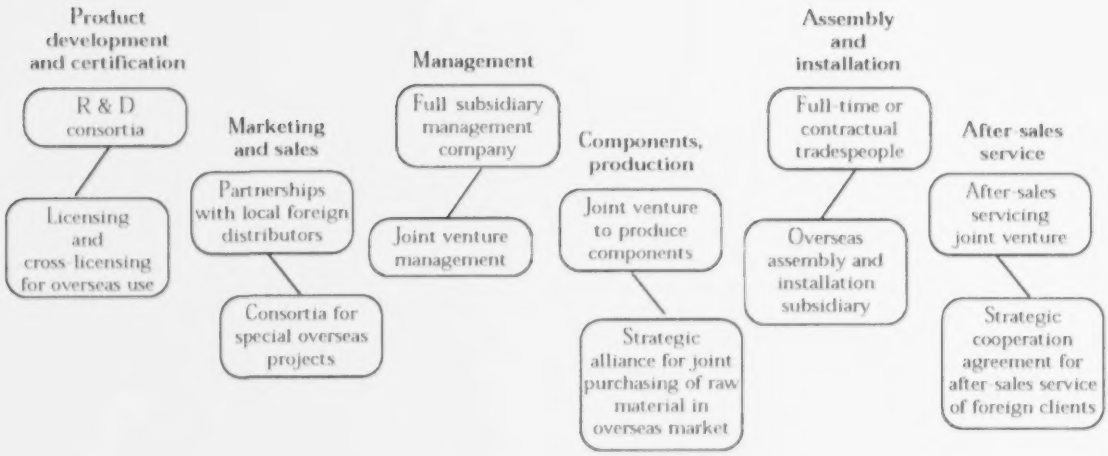
Your company today



Going overseas may offer unique opportunities

When expanding overseas, you have an opportunity to rethink your organization and to focus on its strengths. Reorganizing for results means that you look at every component of your business and ask yourself the following question: are we strong enough in this area, will we be competitive in the overseas market? Would we benefit from a strategic cooperation agreement, a consortium, a joint venture, or should we go the full subsidiary route? The answer, may turn out to be a collection of strategic alliances, rather than an "all-under-one-roof" traditional company.

Going overseas may offer some unique opportunities


Product development and certification
R & D consortia
Licensing and cross-licensing for overseas use
Marketing and sales
Partnerships with local foreign distributors
Consortia for special overseas projects
Management
Full subsidiary management company
Joint venture management
Components, production
Joint venture to produce components
Strategic alliance for joint purchasing of raw material in overseas market
Assembly and installation
Full-time or contractual tradespeople
Overseas assembly and installation subsidiary
After-sales service
After-sales servicing joint venture
Strategic cooperation agreement for after-sales service of foreign clients

The above figure illustrates the types of strategic alliances that could be used to play on your strengths and supplement your weaknesses overseas. It also illustrates the opportunities that are associated with viewing the company as an assembly of components, rather than as a one single indivisible unit.

For example, should all your overseas product development and local certification be done in-house, individually, or is there an opportunity to join forces with one or more Canadian and overseas companies into a research and development joint venture? At least in the beginning your overseas production facilities requirements may be modest. Why not have a production joint venture where several partners use the same production plant but keep all other activities separate? How about joining a few other companies in a consortia to bid on a government project, or developing a strategic cooperation agreement for the servicing of clients in areas where you do not have your own staff on the premises?

You can have as many as you want, but!

Overseas expansion can, in theory, be achieved through one small core company supported by many several strategic alliances, each focused on a single activity. For example, you could have a core management company surrounded by several strategic alliances such as a production alliance, a marketing alliance, an after-sales servicing alliance, etc. The first could be a consortia, the other a joint venture, the next a partnership, and so on. In addition, each alliance could involve completely different partners.

In practice, as a small/medium-sized company you should probably limit yourself to one, maximum two alliances. Limiting the number of strategic alliances you are involved with at any one time makes things simpler. Juggling two or more sets of partners can be complicated.

The Problem with Alliances

Strategic alliances can be useful. For many companies intending to expand overseas, they are a necessity. Alliances can bring many benefits, but they also have their problems.

The major problems with strategic alliances are:

- conflicting objectives
- inadequate agreements
- revenue imbalance
- loss of bargaining power
- loss of identity, and
- loss of control

In this section we will review each major problem, focus on the consequences, identify the types of strategic alliances where the problems occur most often, and learn how to avoid, or at least deal with them.

Conflicting objectives

Strategic alliance partners often have different objectives in mind when joining the alliance. Even when their short-term objectives are similar, or at least compatible, longer term objectives may not be. One partner may be prepared to cut prices to gain market share, while the other may be trying to balance a tight market situation at home with substantial overseas earnings.

As time goes by and the market evolves or new government rules come into play, all of the participants in a strategic alliance may see their objectives evolve. As long as they all decide to cut back or expand together, there is generally no problem. Problems do occur when, over time, events at home and abroad influence partners differently and their objectives evolve in different directions. In these cases, objectives may become less than compatible, or frankly antagonistic.

Changes in partners' objectives can usually be traced back to causes such as:

- Changes in ownership at one of the partners – new owners may have other priorities.
- Changes in perception of the foreign market. The various partners no longer share the same perception of the attractiveness of the market.
- Deterioration of the situation of one of the partners. If one partner is in financial trouble, this may affect short-term objectives and put pressure on the alliance.
- Success of the strategic alliance to reach its original objectives. Now that the objectives are reached, partners may want to pursue different paths. You may want to go into another consortium with the same partners and they in-turn may feel that it is time to launch a full subsidiary.

Depending on the type of strategic alliance, changes in partner objectives can have small or major impact. For example, if you have a strategic cooperation agreement with another company and either of you changes your mind, for whatever reason, the agreement is likely to be cancelled on short notice, but the overall impact on your business is likely to be small.

If you have entered a consortium or a joint venture where each company brings in key resources, the loss of even a single partner can be disastrous.

Changes in partners' objectives within joint ventures and partnerships are generally a serious problem. Joint ventures and partnerships are independent businesses formed by companies who see themselves as complementing each other. If you entered into an overseas joint venture with the local leader in residential HVAC servicing, and if they decide to refocus their business exclusively on commercial HVAC installations, the partnership may no longer be complementary, or even meaningful.

Parting of the ways

To avoid serious problems when the time comes for the alliance to be dissolved, dissolution mechanisms should be clear and agreed upon from the start.

Strategic cooperation agreement participants may consent to give each other three to six months notice, so that they can find an alternative solution without damaging their good name and market position.

Consortium participants may have to be far more demanding. Because consortia are generally set up to go after a specific project, and since each consortium member brings something that the others need and do not have, partners could be in serious trouble if one of the members decided to withdraw just before the proposals are due or, for that matter, during the project itself. As a result, the consortium agreement is likely to state that no member can withdraw or otherwise alter his position without the unanimous prior consent of the other members, and that remaining members may require substantial compensations.

Since joint ventures and partnerships are not focused on a specific project and are not set up for a pre-determined length of time, the approach will be different. In this case, the goal is to protect the joint venture or partnership from one of its backers withdrawing his support. This can be done in one of two ways: first, the withdrawing company may have to sell, license, or otherwise make available to the partnership the patents, trademarks, know-how, equipment, technology, and other assets necessary for the joint venture or partnership to continue operating normally. Second, the departing company may have to agree to provide certain essential services such as technical assistance, customer support, etc., during a period of several years – plenty enough for the partnership to find a replacement.

As a protection against getting stuck in a situation that is no longer considered attractive or viable, partners should have a "shotgun" buy/sell agreement. This is the type of agreement in which a partner can force the others to either be bought out, or sell their own shares at the offered price. In addition, all should agree that current partners have a first right of refusal on the sale of shares by other partners.

By putting in place the above provisions, strategic alliance partners can minimize, if not avoid, the problems caused by the withdrawal of a partner because of diverging objectives.

Inadequate agreements

Inadequate agreements eventually lead to conflicts. Alliance agreements are meant to set the rules under which alliance partners share rights and responsibilities in terms of resources, risks, benefits and decisions. The problem with agreements is that while they are negotiated in good faith today, they may remain in force for years to come, when conditions have changed to such an extent that one or more participants are unhappy about the situation.

Experience shows that the more detailed and inflexible the agreement, and the longer it is in force, the higher the chances of unhappiness. Long-term consortia and joint ventures tend to be the ones most affected by problems of complexity and inflexibility. There is probably no better example of this situation than the Quebec/Newfoundland Churchill Falls joint venture agreement.

Unhappiness among partners can be extremely detrimental to any strategic alliance. For example, if there is unhappiness among the members of a consortium, this may weaken considerably the chances of it getting the projects it is aiming for. Competitors will be eager to play up the discordance and clients may be leery of becoming involved with an unstable consortium.

Inadequate agreements are dangerous

Unhappiness may also lead to less than total cooperation from joint venture partners. A partner who feels that he is not getting his fair share of benefits may not provide the joint venture with all the resources it requires, like a new technology, or may divert client's interest to other suppliers. Unfortunately, things often deteriorate from that point on, with partners leaking trade secrets or failing to protect intellectual properties and otherwise damaging each other's assets and goodwill.

Unhappiness cannot be avoided, because circumstances do change over time and what pleased everybody yesterday may not do so today. One can, however, plan ahead to avoid the worst consequences of inadequate agreements.

The first defense is fairness

The first line of defense against inadequate agreements is fairness, the first pitfall is shortsightedness. A good agreement recognizes the value of each participant's contribution: knowledge, capital, technology, etc. It also recognizes that, as time passes, things change. For example, if one partner's contribution was local market knowledge, that knowledge will eventually be transferred to the joint venture or the partnership management staff. On the other hand, if the contribution was in the form of a license on know-how protected by a trade secret, it is never really transferred. Clearly, sometime down the road the partner who is providing the know-how under license may feel that current contributions have become unequal and be unhappy about it.

Introducing a "balloon" into the agreement may make it fairer and less shortsighted. The balloon recognizes the critical importance of local market knowledge at the start, and gives that partner a higher claim on benefits for a number of years, after which that partner's claim is gradually reduced to a lower, but permanent level.

Flexible agreements are better

Another way to avoid problems is to keep the agreement flexible. This is very easy with strategic cooperation agreements which can be cancelled and renegotiated at will and should therefore always reflect the current situation. It is more difficult with other forms of alliance. One way to introduce a measure of flexibility is to let transfer prices between the partners and the joint venture or partnership reflect market fluctuations.

Another way to introduce flexibility into an alliance is to have a trial period. If you are a producer of manufactured housing considering a joint venture with an overseas builder, you may agree on a one year trial before the final terms of the agreement are signed. If you are

considering an overseas partnership into a housing component plant, you may consider an arrangement by which your financial contribution be in the form of a one or two-year loan which can be transformed into shares at your discretion.

A good technique to avoid inadequate agreements, and subsequent unhappiness, is to insist on joint planning where all partners are involved in the development of the overseas company business plan. It may take more time, but results are likely to be more stable.

Joint initial planning is good, but not sufficient. To keep problems from getting out of hand, it is important to keep communications channels open between all partners and between partners and managers of the overseas business.

Finally, as a last line of defense, the agreement should include a mandatory arbitration/ conciliation clause.

Revenue imbalance

As long as all the participants in the alliance are happy with their revenues, they are unlikely to make a fuss about conflicting objectives, flawed agreements and other potential problems.

Everybody expects a larger shareholder to get more revenues than a small one. Problems occur when one partner feels that somebody is getting more than expected, or at least that he is getting less.

Revenue imbalance may, or may not, be caused by bad agreements. For example, several companies may create an overseas joint venture. One of them may be a producer of double-glazed insulated windows. Although the plan may have been to sell all the components as a package to local contractors, market conditions may be such that the demand for double-glazed windows may be significantly lower than the demand for other items. Soon enough, the windows supplier may feel that his revenues are not in keeping with expectations, and that his company is not getting as much return on its efforts as the others.

If the windows manufacturer is not directly involved in the management of the overseas joint venture, there may be allegations that local management is not being fair, or that it is pursuing the wrong market, in other words, the wrong objectives.

Even if this is not the case, the situation will eventually lead to problems. At the very least, an unhappy partner creates tension within the alliance. More often than not, it leads to serious stress and requires a revision in the terms of the alliance, or even its dissolution. If the rules of the joint venture require unanimity for important decisions, it may lead to decision making paralysis.

The major solutions are the same as those focusing on inadequate agreements.

Loss of bargaining power

One of the more common problems with alliances is that the relative bargaining power of participants changes over time. If your patents have expired, or have been superseded, you may no longer be such an attractive partner. As a matter of fact, your presence in the alliance may make it more difficult for the other partners to attract a new partner with more desirable up-to-date technology.

Another common cause of loss of bargaining power is government regulations. For example, as more countries sign free-trade deals with Canada, regulations pertaining to the obligation of having a majority local partner may be scrapped, greatly reducing the local partner's bargaining power.

Safeguard your assets

In order to protect your position, you should safeguard the bargaining value of your major assets. This means that you should license, never surrender any intellectual property. It also means that you may have to package your know-how into something that can be recognized and acknowledged as a trade secret. If at all possible, specialized equipment should be leased to the alliance, not sold.

Rather than simply protecting your position, you should think in terms of strengthening it. This can be done by keeping a tight control over new product research and development. This includes having your product development people keep their distances from your partners. Partners can cooperate effectively without having free roaming access to each other's business. Open communication is a strength, unguarded access is not.

Loss of identity

One of the reasons many business people stay away from overseas joint ventures and partnerships is that they are concerned this may lead to a loss of identity for their company. For example, if you join a large Japanese company in a joint venture to serve the Japanese market, you may find that the Japanese partner will give you little or no access to the clients and that clients may not even be aware that you are the manufacturer of the housing unit they are purchasing. This loss of identity can be dangerous because the local partner keeps learning more and more about your products while you fail to increase your market knowledge and are prevented in achieving any measure of brand recognition. Your local partner could replace you as a supplier, and your bargaining position gets weaker as time goes by.

Loss of identity is most common when one partner is dominant in the alliance. Although loss of identity can occur in any type of alliance, it is least likely in cooperative agreements, consortia and franchises, and most common in joint ventures or partnerships.

Short of staying away from strategic alliances, the only protection is to avoid alliances with partners who are disproportionate in size. Another option is to structure the alliance in such a way that the products and services you provide are clearly marketed under your trademarks and that you are guaranteed access to the kind of market information you require to keep your bargaining position in balance.

Loss of control

Having control means that you have the ability to hire, fire, and decide in all relevant matters pertaining to the business. Loss of control occurs when you must share the power to make decisions, or when you lose it altogether, as in the case of a majority partner becoming a minority partner.

Loss of control in an alliance, is generally caused by one of two factors: a shift in bargaining power between partners, or a gradual relinquishing of control by the Canadian partner to the overseas partner. The causes and consequences of bargaining power shifts have already been discussed, and need not be revisited. Gradual loss of control to the overseas partner is such a common problem that it needs specific attention.

Gradual loss of control is almost always due to a combination of three factors:

- the overseas partner is closer to the operation, and may even have seconded several staff to the venture;
- the overseas partner has a better understanding of the local culture and issues and is called upon more frequently to make decisions;
- the Canadian partner is far away and inexperienced in managing an overseas operation.

Unchecked, this situation will eventually lead to problems. If you started out as the dominant partner, the overseas partner will become increasingly unhappy with the relationship. If you started as equal partners, this may lead to decision paralysis.

Decision paralysis is a real problem

Decision making paralysis is one of the most frequent consequences of loss of control. Whenever one of the partners in an alliance feels that he is losing control, the first reaction is to oppose or block decisions being proposed. Decision making paralysis may occur even when the overseas business is dependent on the critical know-how that you are providing.

Improved presence and personnel rotation are two of the best ways to minimize bargaining power shifts, loss of control and decision making paralysis.

Maintaining an overseas presence will help

One of the most effective ways to avoid losing control to the overseas partner is to have somebody from your company permanently involved in the local business. This person should occupy a senior position directly related to the type of resource you are providing. For example, if you are providing technical know-how, it should be the VP Production. If you are providing capital, it should be the VP Finance, etc. Your representative should take the time to learn the language and the culture. That person should also have the right to be involved in all important company decisions. In this way your input will continue to have a high profile, and you will not be so reliant on the local partner to provide information and know-how about the local environment. You will also be in a much better position to contribute when difficult local issues require a decision.

Your overseas representative should be rotated every two or three years. This will be very beneficial to the home office, which will gain the presence of somebody with good overseas experience, and will minimize the stress on the families of long overseas assignment.

If, as a small company, you cannot afford to have a permanent representative on the staff of the overseas alliance, consider regular, extended visits.

3. What is your Rating?

The purpose of this chapter is to help you determine if:

- you are ready to move beyond exports and establish a presence in the target market of your choice, and
- which option would be the best for you, at this point in time:
  - strategic cooperation agreement,
  - licensing, franchising,
  - consortia, joint venture, partnership, or wholly owned subsidiary

Throughout this chapter, you will be asked to answer a number of self-assessment questions about various aspects of your company, its operations and expansion plans. At the end of each section you will be given a rating and an explanation of its meaning in terms of readiness to proceed. At the end of the chapter, your overall rating will help you determine if you are ready to move beyond direct exports, and if so, what form of strategic alliance you should favor.

In addition to the first section which is intended to determine if you should consider expanding activities beyond direct exports, subsequent sections of the self-assessment questionnaire are aimed at determining:

- your need to join forces
- your need to share risks
- your willingness to share benefits, and
- your willingness to share decisions

No company, especially a small or medium-sized one is ready to expand indiscriminately into just any foreign market. Your rating is only meaningful if it applies to a specific overseas market.

To avoid confusion, please indicate here the overseas market you are targeting.

Our overseas target market is: _____

Questionnaire

1. Should you consider expanding beyond direct exports?

In all likelihood, you have or are currently exporting to the overseas target market mentioned above. The question is whether you should move from simply exporting to that market to actually seeking a permanent presence in that market.

Answer each question by putting a check mark in the appropriate box. Only one check mark per question, please.

1. *Is demand in the overseas target market growing?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

2. *Is demand in the home market flat or in a slump?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

3. *Is the home plant production up to capacity?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

4. *Will this allow you to expand the product line sold in the target market?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

5. *Will this allow you to expand your distribution network in the target market?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

6. *Would a permanent presence in the market help increase sales?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

7. *Will this reduce the costs of your products/services in the target market?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

8. *Will this result in a significant improvement in the quality of service?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

9. *Will this allow you to bypass inefficient intermediaries?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

10. *Will this improve your competitive position in the target market?*
    - a) Yes ☐
    - b) No ☐
    - c) Don't know/Not applicable ☐

11. *Will this increase return on investments?*
    - a) Yes ☐
    - b) No ☐
    - c) Don't know/Not applicable ☐

Questionnaire (continued)

Expansion scoring sheet

Please indicate below how many Yes answers you had in the preceding questions.

Yes _____

Interpretation

If you scored between 0 and 5, there seem to be few compelling reasons why you should actively consider expanding beyond direct exports at this time. You may, however, consider such a move if there is an offer to form a low-risk strategic cooperation agreement or if there is an opportunity to join in a consortia to go after a specific low-risk project.

If you scored between 6 and 8 points, you may have some good reasons to consider establishing a permanent presence in your overseas target market, but you should probably favor a low-investment, low-risk option.

If you scored 9 points or more, it would appear that you are at the point where you should actively consider expanding beyond direct exports. Given your situation, you may want to investigate the whole range of options, from consortia, targeted at specific projects, to longer term joint ventures and partnership opportunities with strong, complementary Canadian and overseas partners. Depending on your score in the next four sets of questions, you may even consider going it alone.

Score summary:

0 to 5 point = *Weak*
6 to 8 point = *Medium*
9 to 11 point = *Strong*

Questionnaire

2. Do you need to join forces?

Answer each question by putting a check mark in the appropriate box. Only one check mark per question, please.

1. *Will you need to acquire or lease a plant, warehouse or other expensive facilities?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

2. *Will you be needing some expensive specialized equipment?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

3. *Will you have to acquire some specialized know-how ?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

4. *Will you need significant additional capital investment?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable

5. *You may have licenses to certain patents, copyrights, etc. or exclusive distributorships in Canada. Will you need to carry these rights into the overseas target market?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

6. *Do you still need help in understanding how this foreign market works?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

7. *Do you need help dealing with overseas suppliers, trades, banks, employees, authorities, etc.?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

8. *Will you need to hire new staff knowledgeable about this overseas market?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

9. *Are principals reluctant to spend up to 20% of their time overseas?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

Questionnaire (continued)

Resources sharing scoring sheet

Please indicate below how many No answers you had in the preceding questions.

No _____

Interpretation

If you scored between 0 and 2 points, it appears that you will need considerable extra resources, be it capital, technology, equipment, facilities, intellectual property, staff, etc., to launch your expansion plans. You may want to reconsider your expansion plans. If you decide to proceed, you should try to strengthen your position by entering into strategic cooperation agreements and consortia first. You should probably stay away form joint ventures, at least for the moment.

If you scored between 3 and 6 points, you may have some good reasons to consider establishing a permanent presence in your overseas target market, but you should probably favor a low-investment, low-risk, non-equity based option first. Joining a consortium would probably help you acquire some much needed strength in key areas.

If you scored 7 points or more, it would appear that you have most, if not all of the resources necessary to expand into that market on your own. A wholly owned subsidiary is definitely an option, but all other options are available to you as well. You may, if the opportunity arises, consider entering into a consortia for a specific project, or enter into a strong partnership or joint venture.

Score summary:

0 to 2 point = ***Weak***
3 to 6 point = ***Medium***
7 to 9 point = ***Strong***

Questionnaire

3. Do you need to share risks?

Answer each question by putting a check mark in the appropriate box. Only one check mark per question, please.

1. *Will you need to borrow significant amounts to finance this expansion?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

2. *Will expanding overseas cause cash-flow problems back home?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

3. *If the expected overseas sales are delayed significantly, will this be a serious problem?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

4. *Would you estimate the risk of failure of your expansion plans as high?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

5. *Could you afford to join a consortium, even if the chances of winning the project were low?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

6. *Are you planning to take part in a project with high technical or liability risks?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

7. *Are the risks of non-payment by overseas clients high?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

8. *Is the political situation in the target market unstable?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

9. *Are there significant currency fluctuation risks?*
   a) Yes ☐
   b) No ☐
   c) Don't know/Not applicable ☐

10. *Is the scale of business in the target market significantly above what you are used to?*
    a) Yes ☐
    b) No ☐
    c) Don't know/Not applicable ☐

Questionnaire (continued)

Risk sharing scoring sheet

Please indicate below how many No answers, you had in the preceding questions.
No _____

Interpretation

If you scored between 0 and 3 points, it does not look like you are in a position to take on significant additional risks. Maybe you should reconsider undertaking overseas investment at this time. If you want to expand your overseas activities, you should consider using no equity, low-risk options such as strategic cooperation agreements or consortia focused on specific projects in which you have a significant competitive advantage.

If you scored between 4 and 7 points, you may have some concerns about the risks involved in your proposed expansion plans. There should be no problems with low-risk options such as well-conceived consortia and even well-balanced joint ventures, as long as they do not put too much pressure on your cash-flow, even in case of delays or failure.

If you scored 8 points or more, it would appear that the proposed expansion does not represent a significant risk for your company at this time. As a result, you may opt for high-risk/high-reward options such as wholly owned subsidiaries or partnerships. You may also, if convenient, enter into any of the less risky forms of strategic alliances.

Score summary:

0 to 3 point = *Weak*
4 to 7 point = *Medium*
8 to 10 point = *Strong*

Questionnaire

4. Are you ready to share benefits?

Indicate whether you agree, or disagree with each of the statements below by putting a check mark in the appropriate box. Only one check mark per question, please.

1. *This is a privately owned company, and we are not prepared to bring in outside partners, here or abroad.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

2. *We give our staff salary and performance bonuses, but no profit sharing or stock options.*
   - a) Yes, I agree ☐
   - b) I disagree ☐
   - c) Don't know/Not applicable ☐

3. *When we require help to win some business, we pay a fee for services, but we are unwilling to share profits or give up equity in the business.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

4. *Once we teach the overseas partners what we know, we will have given away our main asset.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

5. *We want top dollar up-front for any license we provide to the overseas alliance.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

6. *If they want us in, the overseas partners will have to agree to buy exclusively from us, even if our prices are somewhat above market.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

7. *We prefer to do as much in-house as possible; it is more profitable.*
   - a) Yes, I agree ☐
   - b) No, I disagree ☐
   - c) Don't know/Not applicable ☐

Questionnaire (continued)

Benefits sharing scoring sheet

Please indicate below how many Yes answers you had in the preceding questions.

Yes _____

Interpretation

If you scored between 0 and 2 points, and especially if your score on the next set of questions, "Are you ready to share decisions?" is also a low score, you are the type of individual or company who is probably better off not entering into a strategic alliance. If you do, given your company culture and attitude, it will probably not be long lasting.

If you scored between 3 and 5 points, things may work out, provided you enter into a non-equity type of alliance where you work alongside others, but not really "with" them. This way, there should be less friction about who is entitled to what benefits.

If you scored 6 points or more, you are probably already involved in cooperative ventures in the home market and you have already developed the type of corporate culture required to form and manage strategic alliances.

Score summary:

0 to 2 point = *Weak*
3 to 5 point = *Medium*
6 to 7 point = *Strong*

Questionnaire

5. Are you ready to share decisions?

Answer each question by putting a check mark in the appropriate box. Only one check mark per question, please.

1. *Would you rather forego a deal than have to share decisions with an equal partner?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

2. *Would you rather keep the company small than have to bring in outside partners?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

3. *Are you concerned about getting into personality conflicts?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

4. *Do you have the final word on all hiring, firing, promotions and salary increases?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

5. *Do you have a formal, written business plan?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

6. *Do you make all the major buy and sell decisions in the business?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

7. *Do you make all the pricing and production decisions yourself?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

8. *Do you approve all significant expenses yourself?*
   - a) Yes ☐
   - b) No ☐
   - c) Don't know/Not applicable ☐

Questionnaire (continued)

Decision sharing scoring sheet

Please indicate below how many No answers you had in the preceding section.

No _____

Interpretation

If you scored between 0 and 2 points, it does not appear that you are prepared to share the power to make decisions, even if it affects the growth of the company. Under the circumstances, you should favor strategic alliances which require little or no sharing of decision making, as is the case in strategic cooperation agreements and consortia. You may, however, if conditions are favorable, opt for a wholly owned subsidiary.

If you scored between 3 and 6 points, you may have to learn to share decisions, but there are indications that you may eventually become comfortable with the idea. In the meantime, you may want to start with strategic alliances which do not involve too much consensus management. Strategic cooperation agreements and consortia should be fine; carefully thought through joint ventures should be no problem either. If you can, there is always the option of going it alone.

If you scored 7 points or more, you should have no problems entering into strategic alliances which require majority or unanimity decisions. From your answers, it would appear that you are already familiar and comfortable with that kind of management. As a result, all strategic alliances options are open to you, from the standpoint of decision sharing.

Score summary:

0 to 2 point = *Weak*
3 to 6 point = *Medium*
7 to 8 point = *Strong*

Questionnaire

Are you ready?

This section interprets the overall scores from the previous sections, it then tells you if it appears that you are ready to move beyond direct exporting, and which form of strategic alliance, if any, you should favor as an option for overseas expansion.

Step one – Should you consider going beyond direct exporting?

First, look at your ratings for "Should you consider expanding beyond direct exports?" Unless your rating in Score summary 1 is Strong, all other ratings of resource, risk benefits and decision sharing may not be very meaningful.

Step two – Are you ready to enter into an alliance?

If your rating for expansion beyond direct exports is strong, you should now look at your score summaries for sections 2 to 5 and make the appropriate check marks in the corresponding columns of the table below.

Example, if you scored Strong in, "Risk sharing" make a check mark in column three.

	Weak	Medium	Strong
3. Do you need to share risks??	_____	_____	✓

Readiness overall score

Score summaries	Weak	Medium	Strong
2. Sharing resources:	_____	_____	_____
3. Sharing risks:	_____	_____	_____
4. Sharing benefits:	_____	_____	_____
5. Sharing decisions:	_____	_____	_____

Add the check marks in each of the above columns and write them in the corresponding line below, multiply by the values and add the total score:

		Values
Weak	_____	x 0 = 0
Medium	_____	x 1 =
Strong	_____	x 2 =
Total score		= _____

See following page for an interpretation of your overall score

Overall Score Interpretation

Are you ready to enter into an alliance? Which option should you favor?

In Step one of the preceding page, you have determined whether you should even consider expanding beyond direct exports at this time. In Step two, you have calculated your total readiness score. Below, you will find an interpretation of that score, including recommendations on which strategic alliance, if any, you should favor.

What should you do if your score is Weak (between 0 and 3)

If your overall score is between 0 and 3, it means that you have a serious deficiency in at least one area and only medium strength in a couple of others. This is probably not a sufficient base from which to start expanding beyond direct exports at this time. It really does not seem that you are ready to venture overseas without considerable risk of failure. There is even a chance that this may jeopardize your home operations. You should consider setting up a deliberate plan to strengthen your company's overall readiness.

In the meantime, limit yourself to non-equity based alliances such as strategic cooperation alliances and possibly a junior position in a consortium led by an experienced company.

What should you do if your score is Medium (between 4 and 6)

If your overall score is between 4 and 6 points, you do not seem to have a complete combination of resources, risk carrying capacity, experience, corporate culture and possibly even inclination to expand internationally through strategic alliances without incurring a substantial risk of failure.

If you do not have too many problems sharing decisions, you should have a good chance as a member of a strongly led consortium focused on specific overseas projects for which it has some competitive advantage.

You should consider taking part in one or two successful consortia as the best preparation to further expansion through joint ventures or partnerships.

What should you do if your score is High (7 or 8)

If your overall score is between 7 and 8 points, you have a demonstrated strength in at least three of the four key areas, and at least a medium score on the last one. This would indicate that all overseas expansion options are open to you and that you have the luxury to choose the one best suited to the particular situation. You could even consider the possibility of expanding into more than one overseas market at a time (or at least over a short time period), even if this means different strategic alliance options with different partners. You also appear to be in a good position to form and lead small to medium consortia.

You should have a close look at your intellectual property assets. If they are strong enough, you should seriously consider adding licensing and franchising as realistic options to your overseas expansion.

4. Preparing for a Strategic Alliance

Most strategic alliances start by a chance encounter leading to a discussion of how both firms could cooperate. Most successful strategic alliances are, however, concluded by business people who do their homework, are able to recognize an opportunity and put forth a clear set of objectives and a well sought out negotiating position.

The purpose of this chapter is to help you prepare in advance for a strategic alliance, rather than having to scramble after you have stumbled upon somebody who seems interested.

This chapter is divided into two parts. Part I focuses on what you should do to be prepared. Part II deals with how to negotiate from a position of strength.

Part I – Getting Ready Ahead of Time

Part I deals with all those things that are better done ahead of time, such as defining your own objectives, selecting a strategy, making sure you are focusing on the right market, developing a clear idea of your strengths and weaknesses, packaging and protecting key assets, having a clear idea of what you could contribute to an alliance, and what you would expect others to provide. All this leads to a preliminary choice of the type of overseas strategic alliance you would like to build.

To be perfectly honest, most strategic alliances between small companies occur without any of these steps being undertaken ahead of time. This is why most discussions and negotiations aimed at developing an overseas strategic alliance fail or lead to conflict, frustration and costly short lived agreements.

What are your objectives?

As a company, your basic choice, at any one time, is between three objectives: survival, growth or profits. You cannot pursue two objectives at the same time in the same market, but you can change objectives as market conditions and the competition change. For instance, you cannot lower prices to increase sales while raising them to increase profits.

As a company operating in two markets: the home and the overseas market, you now have the luxury of being able to have one set of objectives per market, provided they are compatible. For example, if your competitive situation in the home market is good, and if the market is favorable, you could pursue a home market profit objective through a strategy of firm prices with good profit margins. This would allow you to pursue a growth objective in overseas markets through a strategy of low prices with no immediate profits (perhaps even some short-term losses). These two sets of objectives are compatible because the sum of the two cash-flows is either neutral or slightly positive. Such a situation is known as a "balanced portfolio".

Keep overseas objectives compatible

Once you have determined your overseas objectives, you will be in a better position to ensure that they are compatible with those of the proposed strategic alliance. If your objective is survival, you should not get involved into an alliance primarily intended to generate long-term growth, or with "patient money" partners who are prepared to absorb short-term losses for the purpose of achieving a strong, long-term market position.

What is your strategy?

Companies may have the same objective and completely different strategies. For example, several companies may decide to increase their market share in the same market, and go at it very differently. One company may opt for low prices to increase its volume of business, the next may focus on quality, or service, and yet another may decide that the best strategy is to offer a broad range of products, thus attracting clients from a wider variety of market segments.

The strategy you choose is probably dictated by your strengths and your competitive situation. If you are a high-cost producer, a low-price strategy is probably inappropriate. On the other hand, you may have the type of organization and products which make a quality and service based strategy attractive.

Different strategies for different markets

Remember that the environment in the overseas market may be quite different from the one back home. What was a strength on the home market may not be so overseas. For example, you may be a low-cost producer in your home market. That certainly does not mean that you will retain this competitive advantage in an overseas market. The opposite may also be true, what is a middle-of-the-road product back home may be perceived as top-of-the-line in the overseas market.

In conclusion, you must be clear as to the strategies open to you in your target market. You should favor alliances with partners who have the same objectives and compatible strategies, and you should probably stay away from alliances who are predicated on objectives and strategies at odds with what you feel works best for you.

One more thing before moving on to the next step: how stable is the situation? Are your objectives or competitive situation likely to change significantly in the foreseeable future, and if so, would a strategic alliance based on current objectives and strategy continue to be desirable? Many business people who did not stop and ponder this critical question have regretted it. For example, right now, business on the home market is good and profits are sufficient to support sizable overseas investments. Should you join a strategic alliance focused on aggressive overseas pricing and several years of planned "investment" losses? If the home market situation takes a turn for the worse, would the cash drain of the overseas venture put the whole company in danger?

Who will you be targeting?

Having a general idea of the strategy you wish to use is not enough, you also need to determine what market segment you want to go after. For example, you may be interested in pursuing government or World Bank sponsored housing projects. This may rule out entering into a strategic alliance with companies who are primarily interested in bidding on commercial projects, or who are targeting high-rise projects, regardless of the fact that they intend to use the same low-margin, high-volume strategy as you.

Having a clear idea of your target market, may appear so obvious as to be unimportant. Unfortunately, many overseas ventures fail because they are focused on a market segment which exists in the home market, but not in the overseas one.

For example, a company may conclude that, since most of its home market buyers have a certain age, income and level of education, it should focus on overseas markets with the same characteristics. They often forget that age, education and income are NOT what determines a purchase, they are just external markers associated with some buying behaviors. In other words, in another country and another culture, people with the same age, income and education may see themselves quite differently and have totally different needs and tastes with respect to housing.

Do you know your target market well?

This guide is intended for companies who already have some overseas business experience mostly through exporting, and want to grow beyond exporting. It does, however, assume that you will be expanding into a market where you have already had some dealings. In other words, you are expected to have a good knowledge of your overseas target market.

If you have not dealt with this particular overseas market before, or if you want to be sure to have covered all the key areas, you may want to refer to the section on detailed target market study in the guide, "Getting Ready to Export".

Having a really good grasp of your target market will help you ensure that you are not drawn into an unfocused strategic alliance. By the same token, it should help you assess the real market knowledge and experience of prospective alliance partners.

You should know enough to make your own decisions

Expanding into an overseas market you do not know well enough is rather dangerous. Some of the risks can be dealt with through appropriate use of insurance, others by entering into a strategic alliance with an individual or a company with that kind of knowledge and experience. You should always seek to know enough about the market to decide on your own to enter it. Also, you should decide with whom, with what objective and with what strategy. Failing that, you will be completely in the hands of your overseas partner, a high-risk position with little bargaining power!

Is this the right market?

One more question: is this really the market on which you should be focusing your attention? Are the conditions which make it so attractive likely to remain in place? For example, upcoming Japanese legislation will, for the first time, make new housing subject to the value added tax. This has led to a boom in demand. The question is: will the boom turn to a temporary bust after the tax is imposed? Any company entering the Japanese market at this late date in the housing boom market better be aware of the fact that the market situation is being affected by a short-term incentive and that current trends are not necessarily representative of long-term demand. This does not mean that the Japanese market is not attractive, just that the current market is possibly overheated and that demand, and prices, may fall back from current levels, at least for a while.

Should you care?

Obviously, most questions about objectives, strategies and market are far less relevant if all you are considering is forming a consortium to bid on a specific overseas housing development project financed by the government or an international financial institution such as CIDA or the World Bank. If this is the case, you may disregard, to an extent, the questions above and begin your preparation from this point on.

Do you know your strengths and weaknesses?

If all you have done so far is direct exports, you should seriously look at your strengths and weaknesses very seriously, and if this is the first time, it is a good idea to bring somebody in from the outside to help you look at your company and ask the tough questions.

The important point here is to make an honest inventory of your strengths and weaknesses – first in the home market, then in the target market. As indicated before, home market and overseas target market strengths and weaknesses are not necessarily the same.

You should at least review your strengths and weaknesses in the following areas:

- Facilities and equipment
- Technical knowledge
- Intellectual property
- Market knowledge
- Human resources
- Capital to invest, and
- Cash-flow

For instance, you may have excellent facilities and equipment in the home market, but if your initial volume of business in the overseas market cannot possibly support such expensive setup, this could turn into a weakness. Also, the equipment may require highly trained operators, unavailable in the overseas market, or constant dealer support, again unavailable in your intended location. In addition, import duties on this type of equipment may be prohibitive. Another way in which strength at home can be a weakness abroad is shown in the following example: a Canadian company who uses the latest US technology is interested in expanding into the Cuban market. Because of the US embargo, none of its usual equipment will be available and the company's home market technological advantage will be of little use against European companies using less sophisticated, but freely available Spanish technology.

Human resources are another big issue. Your company may have considerable expertise available in Canada. How many people can you afford to send overseas for any length of time, and, perhaps more importantly, how many of them would be willing and able to go overseas for one or two years without upsetting the children's education and the spouse's career?

Should strength be developed internally?

Having determined your areas of strengths and weaknesses, the next question is: can the weaknesses be corrected, and should this be done internally or through a strategic alliance?

Most weaknesses can be corrected, given enough time, money and determination. The problem is that you may not have the time, or this may not be a good use of your money, and you may not even want to do it. For example, you could teach everybody in the company enough Spanish to solve all communication problems with your Latin American clients, or alternatively, decide that it would be far more reasonable to look for an alliance with a company which already has this strength. Being weak in overseas sales experience, you may decide to dedicate one or two of your best sales people to do exclusively overseas sales for several years. You may also admit that this is not realistic and opt for an alliance with a company with strong overseas sales capabilities.

Can current strength be packaged and protected?

The next relevant question is: can company strength be packaged in such a way as to give it real value? Your company's major asset may be its considerable project management know-how, or its expertise in dealing with building envelope problems. How can this be packaged to obtain maximum bargaining power in a strategic alliance negotiation? At the same time, how can it be protected so that your bargaining power does not evaporate once the deal is signed?

In practical terms, the question is: can your areas of strength be packaged and protected as a form of intellectual property? This is an area most small businesses are totally unfamiliar with. It is also critical to your long-term bargaining position in any strategic alliance. For your benefit, we have included an overview of intellectual property related issues in the next chapter. If you are not familiar with intellectual property, you may want to have a look at the next chapter now and return to this point when you are finished.

If you find that many of your assets can be patented, copyrighted, protected as industrial designs, trademarks or trade secrets, you should consider licensing and franchising as overseas expansion options for your company. To learn more about these options, you should consult the guide titled "Growing Overseas through Licensing and Franchising".

What are you willing to contribute, what do you expect from others?

By combining specific areas of strength of the various partners, it is possible to create an alliance which is stronger and more efficient than each individual participant. It is stronger because it combines the specific areas of strength of the various partners, hopefully without their individual weaknesses. It is also more efficient if there are no duplications. For example, it is not useful to have two companies with local production facilities or two companies with a local sales network in the same consortium or joint venture if only one is needed.

Below is a partial list of the things that you might be willing to contribute or seek from other partners, or from the alliance itself. For example, you may be interested in an overseas partner that already owns well-located facilities and equipment, while you would expect the joint venture itself to reduce both partners production costs, because of higher volumes, with possible additional savings from higher volume purchases and full load shipping.

- Shared facilities:
  - local warehousing and distribution network
  - local production facilities

- Specialized equipment:
  - production economies of scale
  - reduced maintenance and supervision costs
- Shared production:
  - joint purchasing and shipping
  - bigger production runs
- Access to technical knowledge:
  - sharing R&D efforts
- Access to intellectual property:
  - access to patents, trademarks, etc., in the target market
- Access to a stronger product line:
  - more product and services from partners
- Advertising, marketing and selling:
  - economies of scale
- Access to target market knowledge:
  - access to more, and more knowledgeable staff
- Faster market penetration:
  - join an already established company
  - preempt competition
- Sharing financial risks:
  - reduce required investment
- Sharing commercial risks:
  - lower break-even
  - reduce administrative costs
  - increase profitability of the whole venture
- Sharing legal risks:
  - joint certification efforts

The above list is only indicative of the almost unlimited variety of contributions and expectations that participants in a strategic alliance can bring to the table. The strength of strategic alliances is that by choosing the right one and tailoring it to the circumstances, it is almost always possible to meet the needs of all participants.

Contribution fact-sheet

You should make a clear list of what you believe you can contribute to the alliance. Each item should be the object of a "fact-sheet" containing at least the following information:

Strength fact-sheet:

- Title
- Description
- What makes your (equipment/patent/ know-how/ etc.) superior to others?
- What control do you have over this item (patent/trade secret/expertise/experience, etc.)
- Why would this be an important contribution to a strategic alliance in that overseas market?
- How would you propose to make this available to the alliance (technology transfer, license, technical assistance, specialized staff, etc.)?

In addition, you may want to append a section on:

- What value do you attach to this contribution

You should then prepare a second set of (simpler) fact-sheets, or even a simple list, outlining what you would require from prospective strategic alliance partners.

These fact-sheets should prove very useful when the time comes to negotiate the alliance.

What You Should Know About Intellectual Property

Intellectual property is the term used to describe all the things that you have invented, developed or created and over which you have ownership or control. Intellectual property comes in several forms:

- **Patents**: for new technologies, building materials, equipment and processes.
- **Trademarks**: for protecting a word, symbol, picture, or combination thereof, used to distinguish a company's goods and services from that of others.
- **Copyrights**: for literary, artistic and musical work or computer software.
- **Industrial design**: for shapes, patterns or ornamentation applied to industrially produced objects.
- **Trade secrets**: for "know-how" associated with the way certain things are done, for example, stone cutting, etc.

Patents

First, to be patentable your invention must be new in Canada and in the world. Second, it must work, i.e. have utility and be susceptible to industrial application. The patent document itself must clearly demonstrate how the invention works, and your invention should achieve at least what is said in the patent document. Third, your invention cannot be something obvious to somebody skilled in that area. It can, however, be an improvement over something that already exists.

You can only get a patent for something that is tangible, i.e. it must have certain physical characteristics. A piece of equipment and a process can both be patented, but not a scientific principle such as the laws of gravity or relativity. Also, it is not possible to patent methods of doing business, e.g.: door-to-door selling, a business plan, or something which is illegal or immoral. What is considered to be immoral or illegal will vary from country to country.

If your product, tool, machine, process, method or new formulation meet the three basic criteria for patentability (novelty, utility and ingenuity), it can be patented.

Advantages and disadvantages of patents

A patent gives you the exclusive right to prevent others from making, using or selling what you have patented. In Canada, a patent is valid for up to 20 years from the filing date of the patent application. Once you hold a patent on an invention, you can dispose of it as any other business asset, i.e. use it, sell it or license it. It can even be used as a collateral in a financial transaction. A patent is especially useful to create a barrier to entry for would-be competitors.

There is, however, a significant downside to patenting: you must provide a full description of the invention you want to patent and this becomes public usually 18 months after filing the patent application. This can be of concern because it alerts the whole world about your invention, and gives a detailed description of how it works.

Patenting can therefore increase, rather than control competition, with honest competitors trying to "work around" the patents, and dishonest ones betting that you will not have the resources to sue them if they decide to go ahead and copy your invention without your consent. In Canada, as in most countries, a patent is given to the applicant who first files an application. One notable exception is the United States, where a patent will be issued to the applicant who first created the invention.

Having a patent in Canada does not protect your invention in other countries. Dishonest competitors can be a real concern in certain countries because of lax intellectual property laws that prevent patent owners from enforcing their rights (certain laws actually protect copycats from prosecution by foreigners). It is therefore imperative that you find out about the validity of patents in the host country before seeking patent protection in it. You may apply for a foreign patent through the Canadian Intellectual Property Office, in Canada, or directly in the country where you plan to operate. Be aware that in most countries, outside of Canada and the United States, you lose the right to a patent if the invention is disclosed before you have filed the patent application.

In light of the considerations above, many businesses feel that they are better off protecting their discoveries through trade secrets than through patents, provided the information can be kept as a corporate trade secret over a long period of time.

How to register a patent

As soon as your invention is completed, you should file for a patent with the Patent Office in Hull, Quebec. Obtaining a patent is a lengthy process and it will take 18 months from the filing date for your application to be published, if everything is in order. There are many steps involved in preparing and following through a patent application. Because the process is complex, it is highly recommended to retain a registered patent agent. A list of registered patent agents is kept in the Patent Office.

Trademarks®

In all likelihood, your current company has a name and possibly a distinctive company symbol (the company "Logo") which you may want to protect. Your product may also be easily recognized because of its distinctive packaging.

The best way to achieve this protection is by registering these characteristics as trademarks. A registered trademark can be used to protect a word, symbol, slogan, shape, package or name associated with a product or a service. A registered trademark can be identified by the symbol ®, but this is not a requirement. Such marking can, however, act as an efficient deterrent against infringement of your rights.

Advantages of registering a trademark

Registering the company name, the name of its products, its logo and company slogan (e.g., "quality with a smile", "satisfaction guaranteed or your money back", etc.), guarantees the ownership of what has been trademarked, from the date of registration up to 15 years thereafter in Canada.

The main advantage of registering a trademark is that, provided you use it consistently, it offers you protection against someone else using the same or a similar trademark. The use of a similar trademark by someone else would cause confusion in the minds of customers and the fact that you have registered it, gives you the right to sue anyone that uses your trademark without your consent. Trademark protection can be renewed indefinitely.

How to register a trademark

In Canada, all trademarks must be registered with the Canadian Intellectual Property Office in Hull, Quebec. The complete registration process can be quite lengthy, but should not exceed two years, provided there are no problems during the prosecution process. Some degree of protection begins with the filing of the trademark application for registration.

Just like patents, trademarks have to be registered in each country where you want to secure trademark protection.

Copyrights ©

As a builder, component manufacturer or design professional, you are unlikely to be involved in writing books, poems, or musical scores. You may, however, write an instructions booklet, technical specifications manual, sketches and construction blueprints, produce a product catalogue, devise a catchy jingle, or even develop some computer software. All of these can be protected through copyright, which is identified by the © symbol.

Advantages of copyrights

As in trademarks, the purpose of copyrighting is to protect your intellectual property, declare it off-limits to the competition, and enhance its value.

As a general rule, as soon as you create an original work, you are immediately entitled to copyright protection, without the need for a formal registration. This copyright protection extends to Canada and most other industrialized countries with which Canada has reciprocal agreements (you should, however, verify whether each country in which you intend to establish your franchise is a party to these agreements).

Registering your copyright with the Canadian Intellectual Property Office (CIPO) has one significant advantage. If there is a legal dispute, your certificate can be used as evidence that you own the work and prove the date at which the work was created. Unfortunately, because CIPO does not examine your copyright application to ensure the originality of your work, it is not a guarantee that it will not be contested. Furthermore, it is your responsibility, not the Office's, to protect your copyright by taking legal action against those who might infringe on them – a costly proposal for a small company, but again, this may be useful to create another barrier to entry for would-be competitors.

How to register a copyright

To register a copyright, you must complete the appropriate application forms and pay the related fees (less than $ 100 in Canada). The forms are available from CIPO, in Hull, Quebec.

Industrial Designs

You may just have created a unique product with a distinctive design (e.g., a door handle, a staircase, a floor pattern, a hand-held tool, etc.), in the sense that nobody else has a product with that look. Before you start marketing it, you may want to protect that unique look, so nobody can copy it without your authorization.

Once your design is registered, you do not have to give it a special marking, but you may avoid problems by using a capital "D" within a circle, followed by the name of the design's owner on the product, or at least on all pictures, drawings and other marketing material referring to the product.

Remember that industrial design protection covers shapes, patterns, and other elements of "visual appeal". It should not be confused with a patent, which is intended to protect the use and functionality of an object or the process by which it is manufactured. For example, you could register the design for a door handle, but the protection would not extend to the handle's manufacturing process.

Advantages of registering an Industrial Design

Registering your design with the Canadian Intellectual Property Office gives you exclusive rights to that design. It guarantees that, for a period of up to 10 years, nobody else can use your design without your agreement. Here too, you are responsible for legally enforcing your industrial design rights.

As the owner of that industrial design right, you have exclusive rights in Canada to make, use, sell or rent a product with your design, or license others to do the same. As for any of the intellectual property rights discussed previously, you may also sell (assign) all or some of your rights to others.

Registering with CIPO will only protect your design in Canada. To have the same right in other countries, you must seek protection in each country separately.

How to register an Industrial Design

You can file your industrial design registration with CIPO. Usually it takes between 6 and 12 months to have your application examined. If more than one person has applied to register the same design within this period, the one with the earlier filing date will be the one who will obtain the industrial design registration.

Trade Secrets

The term "trade secret" may include confidential recipes, business plans, financial data, documents, operational manuals, and promotional strategies and techniques. To qualify as a trade secret, the intellectual property must have some commercial value, not be readily known or available to others outside the business, and must be protected by a program aimed at ensuring confidentiality. Know-how does not, therefore, necessarily qualify as a trade secret.

The formula for the Coca Cola® drink is an excellent example of a trade secret. The formula is not patented (because having it patented would have required releasing the drink's formula), but it has been kept a secret for almost 100 years. On the same line of thought, it should be noted that both the name Coca Cola and the distinct shape of the bottle have been registered as trademarks, and that the name alone is valued at more than 30 billion US dollars.

You can sue somebody for stealing, misusing or illegally disclosing a trade secret, but only if you can prove that you have taken all reasonable precautions to protect it.

In addition to establishing an internal process and policy to systematically protect your trade secrets, you should also ensure that employment agreements with key employees have adequate trade secret provisions to prevent unauthorized disclosures upon the employees leaving (to work for a competitor!).

It is quite possible that your most important asset may be your Know-how, if it can be packaged and protected as a Trade. Once packaged and protected, trade secrets must be carefully protected. The biggest problem is how to protect trade secrets from leaking out, especially to alliance partners, when a key employee leaves, or when the strategic alliance is dissolved. This important issue is usually dealt with by including a specific section dealing with the protection of participant's trade secrets into the strategic alliance agreement.

What Type of Alliance Should you Seek?

By now, you have assembled all the information needed to decide which type of strategic alliance would be best for you at the present situation, for a strategic market. You should be in a position to state which option would be most desirable, from a simple strategic cooperation agreement to a wholly owned subsidiary, or even a licensing or franchising type of operation.

Having made a choice does not mean that this is what you will eventually end up with. Unique opportunities, partners' capabilities and limitations, and your own negotiation skills will certainly influence the final outcome. It is, however, always better to go into the process knowing what you want to get out of it. In the next chapter, you will learn how to strengthen your negotiating position to improve your chances of getting what you want.

Part II – Negotiating From Strength

In Part II, you will learn how to increase your bargaining power, how to find the right strategic partners and how to negotiate an alliance from a position of strength.

Negotiating strength does not depend only on size. It also often depends on who is better prepared. The focus of this chapter is to maximize your negotiation strength by being as prepared as possible.

All alliance negotiations involve the following steps:

- defining what the alliance will do,
- defining how it will do it,
- determining what each partner will contribute, and
- determining what each partner will receive in return.

The first two items: what the alliance will do, and how it will do it, covers such issues as what product or service will be offered, at what price, where, to what target market, with what objectives, etc. These will be dealt with in the "business plan".

The last two items: who contributes what and who gets what in return, refer to the rights and obligations of the partners. As such, they will be dealt with in the "legal agreement".

Even if you are negotiating with much larger partners, you can negotiate from a position of strength if you can convince all the partners to adopt your business plan and your legal agreement proposals as the basis for the alliance. One of the best ways to do that is to be the one who has good proposals, ready to put on the table, from the start.

Preparing the business plan

First, you should prepare the business plan of the alliance. At this stage, it is still your own "wish" business plan because it has not yet been reviewed and accepted by the partners of the alliance. Your objective is to prepare a business plan which meets all your own key objectives and is, at the same time, acceptable to all prospective partners. Preparing a draft of the plan ahead of time will make it far more likely that your views will prevail in the negotiations.

The business plan proposal

Depending on the type of alliance, your business plan proposal can be a simple list of items which you want to discuss with prospective partners, or a fully elaborated document which will be tabled in advance of the negotiations (for more details about developing and reality checking your business plan, you may want to consult the guide, "Getting Ready to Export", chapters 8 and 9).

The key to a good "wish" business plan is that it meet the following objectives:

- all business related items which are important to you are covered
- your position is forcefully stated, and
- it becomes the basis for the alliance's own business plan

To be reasonably complete, your business plan should deal with the following items:

- Alliance objectives:
  - including short and long-term goals and specific objectives
- Alliance strategy:
  - including discussion of competitive advantages
- Priority target segments:
  - definition, description, trends, details, competitive considerations
- Product line:
  - description and justification in regard to strategy and target segments
- General location for facilities:
  - country, city and, if appropriate, suburb within the city
  - production, warehouse, stores, offices, etc.
- Types of facilities required:
  - size, amenities, utilities, cost, etc.
- Types and quantities of key equipment required:
  - type, model, cost, availability, etc.
- Staffing requirements:
  - types, qualifications, quantities, expected costs, training and other requirements

In addition, it should also include a three to five-year projection for:

- Market analysis and trends
- Cash-flow forecasts:
  - forecasted sales production revenues, costs, profits, etc.
- Sales forecasts:
  - proposed prices and trade discounts for the entire product line
- Investment requirement forecasts
- Financing requirements forecasts:
  - proposed sources and conditions
- Sensitivity analysis:
  - what happens if sales, costs, prices, etc., vary up or down by 10 and 20 percent

Most of the above items should be familiar to you. You may want to get some assistance from your accountant to develop and format the forecasts.

You should have the entire business plan "reality checked" by one or more individuals with experience in the target market.

Preparing the legal agreement

The second step will involve preparing the legal agreement for the alliance. The legal agreement, is where you describe the form of the alliance: who owns what, who contributes what, who does what, etc. Again, at this stage it is only a proposal to be tabled at the negotiations. By preparing it ahead of time, you have a chance to propose a structure which maximizes your bargaining power both in the short and long-term. Being prepared also gives you the advantage of having had time to reflect on each clause of the agreement and of knowing where you can be flexible and where you cannot. It also gives you the time to develop a good explanation for why this or that clause is important.

The legal agreement proposal

The legal agreement proposal is a document that you prepare and submit to prospective partners and their lawyers. As in the case for the business plan, the proposed legal agreement should reflect your views on how the alliance should be structured and how it should be run, but it should be fully acceptable to prospective partners. If it is reasonable, it should form the basis for the negotiation among prospective partners and, once approved – after the inevitable adjustments – the legal agreement becomes the foundation of the working relationship between the partners.

Since strategic alliance agreements vary from the almost informal and often verbal strategic cooperation agreement to the full fledged consortia, joint venture or partnership contracts, we will not attempt to develop an alliance agreement template. Typical proposed agreement documents do, however, have certain components in common.

An initial statement that outlines such things as:

- Proposed type and structure of the alliance:
  - consortia, joint venture, etc.
- Partners desired for this alliance:
  - types, strengths, contributions
- Intentions, i.e. what the alliance is expected to do:
  - build certain types of houses, win and undertake a specific project, etc., as per business plan
- Objectives and strategy as per business plan
- Expectations, i.e. what the alliance is expected to achieve:
  - sales volume, profitability, etc., as per business plan

In addition to the statements listed above which set out the structure and objectives of the alliance, there is also a need to determine who does what, who gets what, who decides what, and so on, in the proposed alliance. In some cases, this part of the legal agreement can run into hundreds of pages.

Listed below are the key elements of this critical section of the agreement:

Who contributes what:

- type of resources (capital, staff, technology, facilities and equipment, etc., including values and schedule)
- intellectual property and how it is going to be protected and compensated

Who owns what:

- shareholdings – who gets what percentage of the shares

Who is entitled to what:

- performance measurement criteria – how will performance be measured (unit sales, sales, profits, etc.) and what will constitute success, or failure (for example: 17 units sold and 10 completed at the end of 12 months)
- pay and benefits – how will the staff be paid, who decides about bonuses, options, etc.)
- sharing of benefits – who receives what percentage of each type of revenues, profits, etc.

Who shares what risks:

- who is responsible for cost overruns, product performance, delivery schedules, product liabilities, etc.

Who decides:

- decision sharing and management issues – how are decisions to be made, who is responsible for what, etc.
- staffing – who staffs what positions, how are others selected, etc.

Generalities, restrictions and dissolution:

- limitations and restrictions on the activities of the alliance, of the partners, of departing staff, etc.
- conflict resolution and dissolution – conciliation, arbitration, buy/sell agreements, etc. who owns what at dissolution, including facilities and perhaps more importantly, clients.

These are only the major items generally found in an alliance agreement. Since this is to be the basis for a legal contract between your company and its partners, you should either have the agreement reviewed by an experienced lawyer, or have your attorney's advice while drafting it.

As in the case of your proposed business plan, you should also have the proposed legal agreement "reality checked" by one or more individuals with experience in the target market.

Finding Partners at Home and Abroad

Defining what you want

By now, you should have a clear idea of the type of strategic alliance you want to form, and of the contributions that you expect from prospective partners. There are, however, a few questions to be answered before you start seeking actual partners. First, do you expect all the contributions to be provided by one single partner? Second, do the partners have to be from the target market, or could they be Canadians, or even from a third country?

Be precise

The better you can describe the profile of the partners you seek, the easier it will be for others to steer you in the right direction. You should at least try to identify the following characteristics of desirable partners:

- What they do now (do you seek a company already in that business or one that is interested in joining you to get into that business)
- How big are they (size in terms of sales, staff or number of units built may be important)
- How long have they been in business
- Where are they located (this is very important if you want to narrow your search to partners already established in the overseas market, or if you want to seek partners from a specific third country)
- What special strength do they have (this is critical, be precise)
- What would they be expected to contribute (again, be precise, do you want technology, capital, staff, etc.)

For example, a Canadian company interested in forming a joint venture to produce finger jointed 2 x 4's, develops the following desired partner specifications:

"In order to meet the growing North American demand for composite 2x4's, North American company with relevant finger jointing technology seeks partners to establish a joint venture plant overseas. The prospective joint venture partner is a company with access to a secure source of appropriate raw material, low labor costs, local facilities and resources. The company is to be a 50% investor in a US$ 10 million project and must have demonstrated experience in running an operation of this sort. Access to a container port is also a must. The ideal partner is a company which could take advantage of the sub-products of the finger jointing process".

Note that the above description protects the company's identity, but is clear enough to generate responses from three continents.

How to find partners

When seeking partners for an overseas strategic alliance, you should consider three possible options:

- Canadian partners
- Target market partners
- Third country partners

Finding Canadian partners

Depending on the type of alliance, it makes sense to consider a Canadian partner. For example, if you are going to enter into a strategic cooperation agreement in which each company sells the other's products, it is highly probable that the strategic partner will be another small or medium-sized Canadian company. If you are going to create a consortium, you may also consider one or more Canadian partners along with overseas partners.

Finding Canadian partners is probably the easiest. You start with the people you know and trust: clients, suppliers and even competitors, then contact the relevant industry associations, and if this is not sufficient, seek help from provincial governments, banks or consultants.

Finding a partner in the target market

In practice, most Canadian companies seeking to establish a strategic alliance involving a company or individual in the target market have no problem in finding the partner they want, because they generally have one in mind from the start.

If you do not, there are several sources that you may be able to use. The first is the Canadian Trade Commissioner responsible for that country or Canada's local Honorary Consul. That source may be supplemented by your provincial trade representative, if there is one. Another potentially excellent source of information is the Canadian Chamber of Commerce in that country. If you are looking for somebody with specific equipment, for example, a kiln to dry lumber or special boom cranes, you could contact the major manufacturers, they in turn will direct you to their clients (or their distributors) in that area.

Foreign embassies and their consulates will generally be eager to help you find a partner in their country. They may even provide you with a detailed list of all specialized companies available in the country.

There are also several companies who specialize in finding partners for strategic alliances. Some of them even advertise their services on the Internet.

Last, but not least, you should consider attending industry shows and conferences in the target market. You may even consider a booth at one of the major events. This is somewhat costly, but it will give you a very broad exposure.

Finding a third country partner

Increasingly, two or more companies, from different countries join to form a consortium or a joint venture. For example, in the case of a substantial government sponsored housing project in Israel, one of the contenders was a Canadian-led consortium where the Canadian company contributed the technology, a Romanian company provided low-cost labour and a local company provided the market knowledge and the day-to-day project management.

Interestingly enough, the Canadian-led consortium did not win because new immigrants from Eastern Europe could not relate to stick-built houses, but the Romanian and the Israeli company struck a very successful joint venture in which the Romanian company maintains heavy construction equipment and work crews on standby in Israel and the local company subcontracts them and pays only for the actual hours of use.

Finding a third country partner requires the same basic steps as finding a partner in the target market.

Qualifying a prospective partner

Now that you have a list, you have to sift through until you make a choice. The first thing to do is to gather as much relevant information as possible. This can be done by writing (or faxing) a request for detailed information directly to each candidate on the list (you should also include some information about your company). You will want to set aside those who do not respond. You should probably have your fax translated into the local language and arrange for translation of responses. You should not expect overseas companies to express themselves fluently in English. This is especially true if you propose to partner with a smaller overseas company which may have good local experience and no international exposure at all.

All candidates should be required to list business references. If possible ask for references from US or Canadian companies they may have cooperated with in the past. Once you get down to only a few candidates, you should approach the Canadian Embassy and Chamber of Commerce of that country and ask them for their assessment.

After you have identified and selected prospective partners, you will enter the negotiation step where prospective partners bring their own suggestions related to the business.

Some Negotiating Do's and Don'ts

As Dr. Karass says: "In business, you don't get what you deserve, you get what you negotiate". You have worked long and hard to get to this point. This section contains a few pointers on how to make sure that you walk away not just with a deal, but with a good deal.

Choose the venue carefully

A contract is generally subject to the laws of the venue where it was signed. In other words, if you sign a contract in Mexico, it is ruled by Mexican legislation and any disagreement must be referred to a Mexican court. If you don't like the idea of having local courts decide between you and a overseas partner, you should look into the possibility of having the agreement signed in Canada, or in a mutually agreed third country, preferably one which is English speaking, and which has a reputable legal system not too different from the one you are familiar with.

This may be difficult if you are signing a distribution agreement for a specific country with a local partner, as the law of the land may require that such an agreement be subject to local courts, but it may be much easier if you are signing an agreement covering several countries, or if the agreement refers to such things as technical cooperation.

You may also consider incorporating a partnership or a joint venture in a jurisdiction which offers favorable tax advantages.

Don't box yourself in

Latin Americans react negatively to time pressure, Middle Eastern business people view bargaining as a national sport. Other cultures believe that if you are willing to agree without arguing it is because the deal is too good to begin with.

One of the favorite negotiating strategies used by Far Eastern business people is to play on Westerners lack of patience. The technique goes as follows: upon arrival, your are met at the airport by your prospective partner, or one of his representatives, who proceeds to drive you to your hotel where you are asked about the duration of your intended stay. With this vital information in hand, the other side can now develop a negotiation strategy based on the fact that, as the deadline for departure approaches, you will be increasingly willing to make concessions to close the deal.

In other words, when entering into a negotiation, be aware of the culture and customs of those you are negotiating with and do not weaken your position by being too eager to close the deal.

Insist on non-disclosure agreements

You have prepared a business plan and a proposed legal agreement. You have invested a lot of time and effort, and the information contained in these documents is very valuable. Take yourself seriously, insist that all those who have access to the information sign a non-disclosure agreement (see your attorney for details). It may be hard to enforce, but it shows that you are aware of the value of what you are providing. In other words, it strengthens your negotiating position.

Do not give away what you can sell

In a recent negotiation, the overseas partner was supposed to provide the plant, equipment and financing, and the Canadian partner the technical know-how. Before starting the negotiations, the partner providing the plant, gave a tour of the facilities. The Canadian technical experts, either because they wanted to show how knowledgeable they where, or more likely because they were improperly coached, proceeded to identify all the major weaknesses of the operation and suggest specific solutions. During the negotiations, the local partner was placed in a difficult situation: he was now being asked to pay for something that had already been provided, free of charge. Eventually, the negotiations fell through.

Have your own advisors

This is especially important when negotiating overseas. Retain your own legal and financial advisors, do not use those already employed by the other side. In other words, you should not accept an offer to have the contract prepared by the other party's lawyers, just to save time or money. Think about it: a reputable legal advisor will not accept to represent both parties in a negotiation. If you want to be safe, you should not even accept suggestions from the other party as to whom you should hire. You should try to select your legal advisor with the help of the Canadian Embassy, or through other personal or business contacts.

Have your own interpreter

A good interpreter is far more than a translator of words, it is someone who should help you avoid making cultural mistakes and even help you read the other side's body language. In other words, if you don't know the language and the culture, your interpreter is your eyes and ears – a very precious ally indeed. Clearly, you should not rely on an amateur, no more so than you would rely on one for tax or legal advice. Above all by retaining your own interpreter, you should make sure that your interpreter is helping you, not the other party in the negotiation.

Beware of the "buy or bury"

This often happens when a large local company sees a foreign competitor, with a better product, enter its market. The local company feels threatened and looks for a solution. What should it do? Fight, or seek some form of accommodation? As a defensive move, the local company will often offer itself as a prospective local partner. Throughout the process of negotiation, it will attempt to find out the foreign company's weak points.

If it finds out that it is dealing with a large, strong multinational, the local company will conclude that there is not much point in fighting and that the best option is to go through with the alliance and become the local partner. If, however, it discovers that the foreign company is small, and it senses a weakness, it is going to fight. It will tighten its negotiating position, reduce its offer and make higher demands. Eventually it will make a very low, barely acceptable "final offer" and threaten the small company with nuisance legal actions, political interference or what not if it does not accept.

In one case, having gained detailed product information, the large, well-connected local company informed the Canadian company that it had two choices: either accept the deal, as offered, or be faced with a brazen illegal infringement on its patents and trade secrets. When the Canadians protested, they were told that given their weak financial situation, as disclosed by themselves during the negotiation, they stood little chance to win a protracted case in an unfriendly court. In other words, they were being given the choice between being bought, or buried!

Don't set yourself as the boss

One last recommendation: don't set yourself as the boss, even if you are. At the start of the negotiation, explain that before you are in a position to initial an agreement, or even agree on a key component of the alliance, you will have to report to your partner, associates, the Board, or the Chairman. This way, you avoid having to make decisions under pressure and you can save face by blaming somebody else for taking the tough positions from which you, unfortunately, cannot deviate.

5. Managing the Alliance

Whether you have full control, share it with an equal partner, or only have a voice in certain matters, your ability to decide, or at least influence alliance decisions is critical in protecting your position. Many overseas strategic alliances involving small companies eventually fail because of neglect. Having negotiated an alliance, and after a flurry of initial enthusiasm, the Canadian partner fades from the scene and leaves the local partner to make all the decisions and do all the work. If you have negotiated yourself a strong role in the alliance, play it.

Treat the Alliance as a Valued Customer

The best way to avoid problems is to think of the alliance as a valued client: never to be taken for granted. If you are supplying technology to a joint venture in an emerging market, it means bringing new ideas at a regular rate and never allowing the alliance to become vulnerable to competition by using it as the place where you off-load old machines or product lines.

From courtship to marriage

The negotiation period is a little like courtship, prospective partners show off their strength, avoid talking about their weaknesses and are often prone to some degree of over promising. Since this is almost inevitable, the first task in managing the alliance is to adjust everybody's expectations to reality.

For example, if your alliance is focused on a developing country, you will probably be supplying technology and know-how while the local partner supplies market knowledge, facilities and staff. Since you presented yourself as having a lot of expertise, the local partners may expect you to have a ready solution to all their problems. Managing expectations means explaining that the solutions that work well in Canada may not work in their market, either because the local cost structure is different, or because some components or some trades are not available.

Managing expectations is making sure that the local partner understands you will use your knowledge and expertise to develop solutions which work locally, but that this may take time and despite your best efforts, mistakes may occur and not all solutions will be perfect. You may also have to make clear that you do not have unlimited resources and that you cannot abandon your own business and rush to the rescue every time there is a problem.

Keep objectives compatible

Drifting objectives is a big problem that cannot altogether be eliminated but can be managed. Let's face it, over time, as the home market evolves and as other opportunities appear, your objectives are likely to change. As the overseas alliance matures, markets change and partners evolve, their objectives will change as well.

There are two aspects to keeping objectives compatible. First, you want to keep in touch with the management of the alliance and with your overseas partners. By keeping in touch and being involved, you reduce the chances of the alliance doing things you might disagree with. This means being involved with new product decisions, with price and market strategy changes.

Second, you want to monitor things so that if your interests and those of your partners suddenly diverge, the alliance can be revised or terminated. For example, you supply high-quality counter tops to a high-end overseas kitchen furniture joint venture. The management of the joint venture decides to shift its focus to a less exclusive, cheaper, more profitable product line. If you cannot supply a lower-cost line of counter tops, it is time to review your participation in the alliance.

All the best!

If you have covered all the chapters in this guide, you should now be familiar with what it takes to establish a strategic alliance or a wholly owned subsidiary overseas. You will have assessed which strategic alliance option is best for you and gained an understanding of the work involved in preparing the business plan, the legal agreement. Hopefully, you will have picked up a few suggestions on how to find partners abroad and negotiate from strength. You will also have found some helpful recommendations on how to manage the alliance.

6. References

Canadian Intellectual Property Office – Industry Canada

The Canadian Intellectual Property Office (CIPO) is the federal agency responsible for granting all intellectual property rights including patents, copyrights, trademarks and industrial designs.

Canadian Intellectual Property Office
50 Victoria Street, 2nd Floor
Place du Portage, Phase I
Hull, PQ K1A 0C9
Tel.: (819) 997-1936
Fax: (819) 953-7620
E-mail: cipo.contact@ic.gc.ca
Internet: http://info.ic.gc.ca

Canadian Business Service Centres

Canadian Business Service Centres (CBSCs) are the result of cooperative efforts between the various levels of government and the private sector. CBSCs are intended to improve access to information of interest to exporters. CBSCs offer access to databases on government programs and services, links to external databases, publications, directories, guides and manuals. For more information, contact the CBSC nearest you:

Canada/NWT Business Service Centre
3rd floor Northern United Place
5004-54th Street
Yellowknife, NT X1A 2L9
Phone: (403) 873-7958 or
1-800-661-0786
Fax: (403) 873-0101
Info-Fax: (403) 873-0575
Info-Fax: 1-800-661-0825
E-mail: yel@cbsc.ic.gc.ca

Canada/British Columbia
Business Service Centre
601 West Cordova Street
Vancouver, BC V6B 1G1
Tel.: (604) 775-5525 or
1-800-667-2272
Fax: (604) 775-5520
Fax Back: (604) 775-5515

Canada/Alberta
Business Service Centre
Canada Place, Suite 122
9700 Jasper Avenue
Edmonton, AB T5J 4H7
Tel.: (403) 495-6800 or
1-800-563-9926
Fax: (403) 495-7725

The Business Link (Edmonton)
Suite 100, Boardwalk Building
10237 – 104 Street
Edmonton, Alberta T5J 1B1
Phone: (403) 422-7722
(Information Telephone)
(403) 422-7788 (Centre Switchboard)
Toll Free: 1-800-272-9675
Fax: (403) 422-0040 (Information Area)
(403) 422-0055 (Front Desk)
Facts Line: (403) 427-7971 or
1-800-563-9926
E-mail: bscedm@edmcbsc.ic.gc.ca

Canada/Saskatchewan
Business Service Centre
122-3rd Avenue North
Saskatoon, SK S7K 2H6
Tel.: (306) 956-2323 or
1-800-667-4374
Fax: (306) 956-2328
Fax Back: (306) 956-2310 or
1-800-667-9433

Canada/Manitoba
Business Service Centre
330 Portage Avenue, 8th Floor
P.O. Box 2609
Winnipeg, MB R3C 4B3
Tel.: (204) 984-2272 or
1-800-665-2019
Fax: (204) 983-3852
Fax Back: (204) 984-5527 or
1-800-665-9386

Canada/Ontario
Business Service Centre
Toronto, ON
(Telephone service only)
Tel.: (416) 954-4636 or
1-800-567-2345
Fax: (416) 954-8597
Fax Back: (416) 954-8555 or
1-800-240-4192
E-mail: cobcc@cbsc.ic.gc.ca

Info Entrepreneurs
5 Place Ville-Marie
Plaza Level, Suite 12500
Montreal, QC H3B 4Y2
Tel.: (514) 496-4636 or
1-800-322-4636
Fax: (514) 496-5934
Fax Back: (514) 496-4010 or
1-800-322-4010

Canada/New Brunswick
Business Service Centre
570 Queen Street
Fredericton, NB E3B 6Z6
Tel.: (506) 444-6140 or
1-800-668-1010
Fax: (506) 444-6172
Fax Back: (508) 444-6169

Canada/Prince Edward Island
Business Service Centre
75 Fitzroy Street
P.O. Box 40
Charlottetown, PEI C1A 7K2
Tel.: (902) 368-0771 or
1-800-668-1010
Fax: (902) 566-7377
Fax Back: (902) 368-0776 or
1-800-401-3201

Canada/Nova Scotia
Business Service Centre
1575 Brunswick Street
Halifax, NS B3J 2G1
Tel.: (902) 426-8604 or
1-800-668-1010
Fax: (902) 426-6530
Fax Back: (902) 426-3201 or
1-800-401-3201
E-mail: halifax@cbsc.ic.gc.ca

Canada/Newfoundland
Business Service Centre
90 O'Leary Avenue
P.O. Box 8687
St. John's, NF A1B 3T1
Tel.: (709) 772-6022 or
1-800-668-1010
Fax: (709) 772-6090
Fax Back: (709) 772-6030

The Trade Commissioners Service

The Department of Foreign Affairs and International Trade (DFAIT) operates an international network of 128 Trade Offices staffed by Trade Commissioners located at Canadian Embassies and Consulates around the world. This network extends across Canada where it operates from International Trade Centers.

Trade Commissioners offer a variety of services including :

- Information on potential target markets
- Detailed information on a variety of aspects of your target market, from trade statistics to politics and culture
- Help in understanding local rules and regulations, including duties, taxes, business practices, etc.
- Help in identifying and negotiating with potential local agents
- Help in developing the product, distribution, financing, etc., sections of your export plan
- Help in reviewing your export plan
- Information on trade fairs and missions (both outgoing and incoming)
- Help in identifying clients and getting an introduction
- Help in finding credit information on prospective clients
- Help in getting you and keeping you out of trouble when necessary

Trade Commissioners are busy professionals, you should start by contacting the appropriate DFAIT geographical section (see below). They will refer the request to the official responsible for your industry sector at the appropriate foreign post.

Africa and Middle East
Tel.: (613) 944-6591
Fax: (613) 944-7431

Asia and Pacific
Tel.: (613) 992-6807
Fax: (613) 944-1604

South Asia
Tel.: (613) 996-0910
Fax: (613) 996-5897

China
Tel.: (613) 995-7575
Fax: (613) 943-1068

Europe
Tel.: (613) 996-6835
Fax: (613) 995-8756

Northern Europe
Tel.: (613) 995-9402
Fax: (613) 995-6319

Eastern Europe
Tel.: (613) 992-7991
Fax: (613)995-1277

Western Europe
Tel.: (613) 992-0871
Fax: (613) 995-5772

Southern Europe
Tel.: (613) 992-2099
Fax: (613) 995-8783

European Union
Tel.: (613) 995-6115
Fax: (613) 944-0034

Korea and East Asia
Tel.: (613)996-1186
Fax: (613) 996-1248

Japan
Tel.: (613) 995-8985
Fax: (613) 943-8286

Latin America and Caribbean
Tel.: (613) 996-4198
Fax: (613) 943-8806

Mexico
Tel.: (613) 996-5611
Fax: (613) 996-6142

East United States of America
Tel.: (613) 944-9477
Fax: (613) 944-9119

West United States of America
Tel.: (613) 944-5912
Fax: (613) 944-9119

U.S. officer responsible for construction, manufactured wood products and building products
Tel.: (613) 944-9471

For information about specific Trade Offices, consult the Directory of the Canadian Trade Commission Service, available from:
InfoCentre: 1-800 267-8376
Department of Foreign Affairs and International Trade (DFAIT

You may also contact the nearest International Trade Center:

Newfoundland ITC
P.O. Box 8950 Atlantic Place
215 Water St., Suite 504
St. John's, NF A1B 3R9
Tel.: (709) 772-5511
Fax: (709) 772-2373

Prince Edward Island ITC
P.O. Box 1115
Confederation Court Mall
134 Kent St., Suite 400
Charlottetown, PEI C1A 7M8
Tel.: (902) 566-7443
Fax: (902) 566-7450

Nova Scotia ITC
P.O. Box 940, Station M
1801 Hollis St.
Halifax, NS B3J 2V9
Tel.: (902) 426-7540
Fax: (902) 426-2624

New Brunswick ITC
P.O. Box 1210, Assumption Place
1045 Main St., Unit 103
Moncton, NB E1C 1H1
Tel.: (506) 851-6452
Fax: (506) 851-6429

Quebec ITC
5, Place Ville-Marie, Suite 800
Montreal, QC H3B 2G2
Tel.: (514) 283-6328
Fax: (514) 283-8794

Ontario ITC
Dominion Public Building
One Front Street West, 4th Floor
Toronto, ON M5J 1A4
Tel.: (416) 973-5053
Fax: (416) 973-8161

Manitoba ITC
P.O. Box 981
330 Portage Avenue, 8th Floor
Winnipeg, MB R3C 2V2
Tel.: (204) 983-4540
Fax: (204) 983-3182

Saskatchewan ITC
The S.J. Cohen Building
119-4th Avenue South
Saskatoon, SK S7K 5X2
Tel.: (306) 975-5315
Fax: (306) 975-5334

Saskatchewan ITC – Regina Office
1919 Saskatchewan Drive, 6th Floor
Regina, SK S4P 3V7
Tel.: (306) 780-6325
Fax: (306) 780-6679

Alberta ITC
Canada Place, Room 540
9700 Jasper Avenue
Edmonton, AB T5J 4C3
Tel.: (403) 495-2944
Fax: (403) 495-4507

Alberta ITC – Calgary Office
510-5th Street South West, Suite 1100
Calgary, AB T2P 3S2
Tel.: (403) 292-6660
Fax: (403) 292-4578

British Columbia ITC
300 West Georgia Street, Suite 2000
Vancouver, BC V6B 6E1
Tel.: (604) 666-0434
Fax: (604) 666-0954

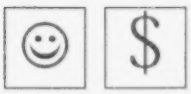
Directory of the Canadian Trade Commission Service – DFAIT
CanadExport – DFAIT

The Directory of the Canadian Trade Commission Service is a must for every exporter. This directory contains a complete, up-to-date list of all International Commerce Centres in every province in Canada, and Trade Commissioners and Honorary Consuls abroad.

Directory of the Canadian Trade Commission Service, 1995, 64 pp., available in English and French, at no cost.

CanadExport is a monthly newsletter for exporters published by the Department of Foreign Affairs and International Trade. To receive the newsletter it is necessary to subscribe. The newsletter is available in English and French, at no cost. The publications may be obtained by calling:

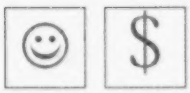
InfoCentre: 1-800-267-8376
Department of Foreign Affairs and International Trade (DFAIT)



Financing, Insurance and Loan Guarantees – EDC

The Export Development Corporation's (EDC) overall mandate is to provide financing, insurance and loan guarantees to Canadian exporters and their foreign customers.

Export Development Corporation (EDC)
Emerging Exporters Team
151 O'Connor Street
Ottawa, ON K1A 1K3
Tel.: 1-800-850-9626
Fax: (613) 598-6871
E-mail: export@edc4.edc.ca
Internet: http://www.edc.ca



Financing Small / Medium Sized Business Expansion

BDC can help you finance your exports through credit guarantees of foreign receivables. One advantage of BDC over the EDC is that BDC's business threshold is lower.

If you qualify, BDC may even take a minority equity position in your company in order to facilitate your overseas expansion.

BDC New Exporter's Program
Tel.: 1-888 INFO BDC (1-888-463-6232)

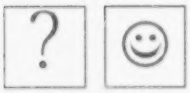
Business Development Bank of Canada (BDC)
280 Albert Street
Ottawa, ON K1P 5G8
Tel.: (613) 995-8835
Fax: (613) 995-9045

Canadian International Development Agency (CIDA)

CIDA administers Canada's development aid program. These programs, which focus on the provision of basic humanitarian requirements, include housing.

As of this writing, access to CIDA business is through the Open Bidding Service (OBS). Information on the OBS is available at 1-800-361-4637 or (613) 737-3374 in Ottawa. CIDA's External Business Relations section can be reached at (819) 997-7778.

Canadian International Development Agency (CIDA)
200 Promenade du Portage
Hull, QC K1A 0G4
Tel.: (819) 997-6100
Fax: (819) 953-6088



Alliance of Manufacturers and Exporters Canada (AMEC)

The AMEC (the old Canadian Export Association) provides a variety of services to its members, including information on market opportunities (membership is required).

AMEC provides services to its members on every aspect of exporting (information, advocacy, seminars, identifying market opportunities and potential partners, etc.). Membership dues are based on export sales, which range from entry level to Canada's largest international businesses.

Alliance of Manufacturers and Exporters Canada (AMEC)
Vice President, Membership Services
99 Bank Street, Suite 250
Ottawa, ON K1P 6B9
Tel.: (613) 238-8888 (ext. 233)
Fax: (613) 563-9218

MEC in the provinces:

AMEC
Hearst Block, #539A
900 Bay Street,
Toronto, ON M7A 2E1
Tel.: (416) 325-6396
Fax: (416) 325-6509

AMEC
Suite 730-999 Canada Place
Vancouver, BC V6C 3E1
Tel.: (604) 844-3187
Fax: (604) 660-3917

AMEC
World Trade Centre Complex
380 St.-Antoine Street West,
4th Floor
Montreal, QC H2Y 3X7
Tel.: (514) 499-2162
Fax: (514) 864-2455

AMEC
5th floor, 999-8th Street S.W.
Calgary, AB T2P 3G1
Tel.: (403) 297-8915
Fax: (403) 297-6168

List of Canadian Exporters

Canadian Company Capabilities, a component of Strategis, is a multi-faceted online database which includes business information which can be used to develop your business plan. CCC also contains a list of small and medium-sized Canadian companies, their products, capabilities and target markets. This could be especially useful in forming export alliances.

Canadian Company Capabilities
Industry Canada
Tel.: (613) 954-5031
Fax: (613) 954-1894
http://strategis.ic.gc.ca